

Message Text

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PAGE 01 CAIRO 17937 281724Z
ACTION NEA-10

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C O N F I D E N T I A L CAIRO 17937

OIG/USDA

E.O. 11652: GDS
TAGS: EAID, EG, US
SUBJECT: CONGRESSIONAL INQUIRY RE POSSIBLE IRREGULARITIES
UNDER TITLE I, PL-480 PROGRAM.
REFS: (A) CAIRO 17519, (B) STATE 181849

1. WHILE WE HAVE NOT YET HAD ANY RESPONSE FROM GENERAL
AUTHORITY FOR SUPPLY COMMODITIES TO QUESTIONS POSED BY
AGATTACHE AND REPORTED IN PARAGRAPH 4, REFTEL (A), BOTH
CAIRO AND ALEXANDRIA HAVE HAD CONVERSATIONS WITH VARIOUS
PERSONS IN SHIPPING BUSINESS AND FAIRLY CONSISTENT STORY
RE PERALTA, MARTRANS AND ST. JOHN'S INTERNATIONAL SEEMS
TO BE EMERGING.

2. OUR SOURCES UNIFORMLY TERM PERALTA AS BEING AN HONEST,
DEPENDABLE AND CAPABLE FIRM WHOSE POLICY IS TO CHARTER
VESSELS ON THE BASIS OF OPEN COMPETITIVE TENDERS. IN
PARTICULAR, WE ARE TOLD THAT PERALTA STRICTLY FOLLOWS
INDUSTRY PRACTICE OF MAXIMUM COMMISSION TO SHIPPING
BROKERS OF 2-1/2 PERCENT (OFTEN SHARED AMONG SEVERAL
BROKERS).

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 CAIRO 17937 281724Z

3. OUR SOURCES ALSO AGREE THAT ST. JOHN'S HAS A POOR
REPUTATION IN THE SHIPPING BUSINESS, AND REFUSES TO DEAL
WITH OWNERS WHO WILL NOT AGREE TO PAY BROKERAGE FEES IN
EXCESS OF 2-1/2 PERCENT. AS A RESULT, ST. JOHN'S IS
REPORTED TO HAVE FREQUENTLY PAID FREIGHT RATES \$2-3 ABOVE
PREVAILING MARKET SINCE COMMISSIONS ARE ULTIMATELY
INCLUDED IN THE RATE.

4. ALI HASHISH, FORMER CHAIRMAN OF MARTRANS, IS ALSO REPORTED AS PREFERRING SECRET NEGOTIATIONS TO OPEN TENDERS WHEN FIXING FREIGHT. AN AMERICAN SHIPOWNER TOLD US HE HAD ONCE NEGOTIATED SEVERAL CHARTERS WITH HASHISH AND WAS PREPARING TO LEAVE WHEN HASHISH REMARKED THAT BROKERAGE FEES OF 5 PERCENT WOULD BE REQUIRED TO COMPLETE THE DEAL. WHEN THE OWNER REFUSED, THE ARRANGEMENTS FELL THROUGH.

5. ANOTHER NAME WHICH HAS SURFACED IN CONNECTION WITH MARTRANS IS MR. MAGDI SALAMA, FORMERLY AN ASSISTANT TO MR. HASHISH AND NOW WITH ALEXANDRIA SHIPPING COMPANY, APPARENTLY AN UMBRELLA ORGANIZATION WHICH SUPERVISES THE SHIPPING AGENTS IN ALEXANDRIA. IT APPEARS THAT SALAMA MAY HAVE ACTUALLY COLLECTED THE EXCESS BROKERAGE FEES WHEN SUCH WERE NEGOTIATED IN DEALS WITH MARTRANS.

6. NONE OF OUR CONTACTS HAVE BEEN ABLE TO SUGGEST ANY LEGITIMATE REPEAT LEGITIMATE REASON WHY EGYPTIAN OFFICIALS RESPONSIBLE FOR ARRANGING OCEAN FREIGHT FOR TITLE I CARGOES SHOULD BE WILLING TO PAY BROKERAGE FEES IN EXCESS OF 2-1/2 PERCENT, EITHER DIRECTLY OR IN THE FORM OF HIGHER FREIGHT RATES.

7. ALEXANDRIA REPORTS THAT THE OFFICE OF ADMINISTRATIVE
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PAGE 03 CAIRO 17937 281724Z

SUPERVISION OF GOVERNMENT COMPANIES (RAQABA IDARIYA) MAINTAINS CONTINUAL SUPERVISION OF SUCH COMPANIES AS MARTRANS AND FOLLOWS UP REPORTS OF IMPROPER CONDUCT. IF SERIOUS ABUSES ARE DISCOVERED, THE ADMINISTRATIVE PROSECUTOR CAN REFER CASES TO THE COURTS FOR ACTION. THIS MAY BE THE GOE AGENCY INVOLVED IN INVESTIGATING HASHISH AND MARTRANS. EILTS

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